



Office Memorandum

March 28, 2012

To: Members of the Executive Board

From: The Secretary

Subject: **Preliminary Considerations of Options to Address Excessive Delays in the Completion of Article IV Consultations—Deletions**

The following changes to FO/DIS/11/78 (4/28/11), which was discussed by the Board in the informal session on May 23, 2011, have been provided by the staff. In line with the Fund's Transparency Policy, the following country specific references that contain unpublished views of the Fund or other confidential information have been deleted.

Deletions

Page 3: deleted Table 1, which reflects confidential and country-specific information on the delays over 18 months in completing the Article IV consultations of member countries.

References to Table 1 have been deleted in the Table of Contents; page 2, paragraph 3; and page 7, paragraph 15.

Questions may be referred to Mr. Konuki (ext. 38085) and Ms. Rahman-Garrett (ext. 36686) in SPR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (4)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Preliminary Considerations of Options to Address
Excessive Delays in the Completion of Article IV Consultations**

Prepared by the Strategy, Policy and Review and the Legal Departments

In consultation with other departments

Approved by Reza Moghadam and Sean Hagan

April 28, 2011

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I. INTRODUCTION¹

1. **This paper aims to engage Directors on how best to promote timely completion of Article IV consultations.** Surveillance is mandatory for both the Fund and its members, and members have an obligation to consult with the Fund for this purpose. In this context, it is useful to consider if further steps are warranted to address cases in which members do not consult with the Fund on a timely basis. This paper does *not* propose Board decisions at this stage. Instead it lays out ideas to elicit Directors' views. Based on this informal discussion, staff could return later to the Board, if needed for a formal discussion and possible decisions.

2. **Periodic consultations with members on their policies and access to the necessary information are essential for effective surveillance.** The Fund cannot effectively fulfill its bilateral surveillance obligation without members fulfilling their obligation to consult with the Fund. Furthermore, the Fund cannot adequately oversee the international monetary system—its multilateral surveillance obligation—if its bilateral surveillance does not cover major economies at a reasonable frequency. In this context, discussions with the authorities and other key stakeholders in the context of staff missions have formed the cornerstone of Fund surveillance, ensuring the quality of staff's analysis, as well as the relevance of its advice.

3. **The Fund's cooperative approach to consulting with members has worked well, but a few cases of severely delayed consultations have triggered calls for a discussion on how to address the issue of timeliness.** As discussed in Section II below, the Articles of Agreement give the Fund the power to *require* members to consult within a specified period. To date, the Fund has not subjected these consultations to firm deadlines, setting instead such deadlines as expectations and relying on members' willingness to engage in a cooperative manner. This approach has generally worked well. While at any point in time there have been countries for which the Article IV consultations were delayed, these delays have tended to be either reasonably short or, when more extended, for reasons obviously beyond the member's control—for instance related to the security situation. However, some recent delays have been exceptionally long for reasons not clearly beyond the relevant members' control (~~Table 1 and~~ Figure 1). Against this background, a number of Directors have called for a clarification of the legal framework governing members' obligation to consult.

4. **The paper proceeds as follows.** Section II discusses the legal background on members' obligation to consult. Section III lays out broad options to address exceptional delays. Section IV suggests issues for discussion.

¹ This paper was prepared by a team comprising J.F. Dauphin, T. Konuki, S. Cogliardi and M. Shannon, (all SPR) and N. Rendak, M. Makonnen and R. Leckow (all LEG).

Table 1. Cases of Prolonged Delays (over 18 months) for the Past 10 Years

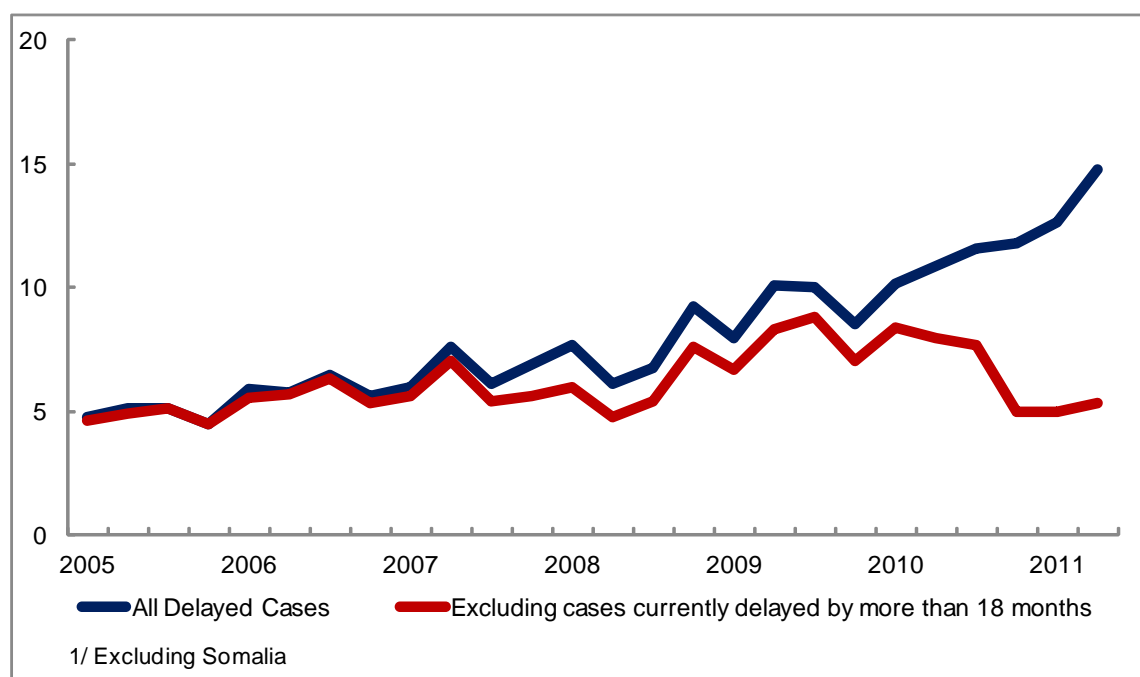
Member	Stipulated Date of Completion ^{1/}	Actual Date of Completion	Months of Delay ^{2/}	Reasons for Delay ^{3/}							
				Political and security situation	Program-related issues	Gov't Change	Further Discussion / 2007 Decision	No agreement on mission dates/ modalities	Authorities' Request	Insufficient Data	Other
Somalia	11/13/1990	...	242	x							
Afghanistan	9/12/1992	11/21/2003	134	x							
Venezuela	9/13/2005	...	64					x	x		x
Congo, Dem. Rep. of	6/1/1997	7/13/2001	49	x							
Argentina	7/28/2007	...	41			x		x			x
Turkmenistan	2/1/2001	6/4/2004	40							x	x
Fiji	8/23/2006	1/11/2010	40	x		x	x				x
Central African Republic	10/12/2001	4/2/2004	30	x							
Nicaragua	1/18/2008	7/9/2010	29	x	x						x
Iraq	5/29/1981	8/1/2005	26	x							x
Fiji	9/14/2000	8/9/2002	23	x							
Cote d'Ivoire	9/28/2005	8/3/2007	23	x		x					x
Ecuador	1/25/2009	...	23					x			
Madagascar	4/30/2009	...	23	x							
Latvia	10/4/2008	7/21/2010	22		x		x				x
Turkey	11/10/2008	7/30/2010	21		x						
Guinea	6/30/2009	...	21	x							
China	7/31/2007	7/8/2009	20				x				x
Turkey	11/11/2005	5/18/2007	19		x						x
Sao Tome and Principe	9/18/2009	...	18		x	x					

Source: Periodic Reports on Delayed Article IV Consultations

1/ Excluding 3-month grace period, where applicable.

2/ As of March 31, 2011.

3/ As stated in the related Reports on Delayed Article IV Consultations (several reasons possible).

Figure 1. Average Delay of Delayed Consultations (in months) ^{1/}

B. Option 2

13. **The second option would establish concrete formal steps to address cases of serious delays while largely preserving the existing framework.** Under such an approach, the Fund would seek to engage members through explicit, but relatively limited, changes to existing procedures. This would have the advantage of including concrete actions while avoiding the creation of a more obligation-based framework for dealing with a handful of cases. The extent to which the actions that may be taken within the existing framework would provide enough incentives for non-cooperative members to start re-engaging with Fund staff would need to be considered. Such actions could be considered individually or, perhaps more effectively, combined.

14. **One possibility would be to seek formal involvement from Management in encouraging the member's authorities to consult with the Fund.** For instance, once a certain delay has passed, say a year, the framework would provide for Management to send a letter to the member reminding it of its obligation under the Articles and strongly urging it to engage in consultation discussions with staff.

15. **The Fund could consider increasing the publicity of delayed consultations.** For instance, the Fund could periodically publish a brief report listing members for which the consultation has been delayed by more than, say, 18 months past the scheduled expectations date, and stating the reasons for delays along the lines of the categories used in the existing quarterly Report on Delayed Article IV Consultations (see footnote 8). This report would be first considered by the Board, possibly on a lapse-of-time basis, alongside the quarterly report. Publicizing only delays over 18 months would seem reasonable as at any point in time in the past ten years, the maximum number of members with delays to complete the consultations of more than 18 months has been no more than 7 (~~Table 1 and~~ Figure 2). Such a step would have the advantage of increasing the transparency on all delayed consultations, although members whose delays are attributable to reasons that are obviously beyond their control may object to publication alongside other cases.

16. **The Board could hold discussions of the member's economy based on staff reports prepared without discussions with the authorities.** In cases of prolonged delays, staff could undertake an assessment of the member's economy and its policies based on available information and prepare a report including, to the extent possible, staff's assessment and policy recommendations.¹ The Board could discuss this report in an informal session. Such reports could be prepared periodically, for instance annually, as long as the member has not consulted with the Fund, regardless of the reasons for the delay. The Board could also require that such reports be published, with appropriate deletions and due caveats

¹ Such a report would, in any case, need to identify information gaps that affect staff's assessment.